

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

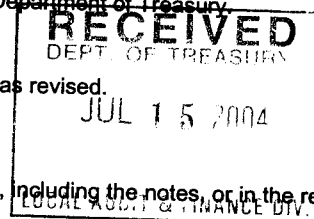
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name CHIKAMING TOWNSHIP	County BERRIEN
Audit Date 3/31/04	Opinion Date 5/20/04	Date Accountant Report Submitted to State: 7/13/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) HUTTER & ASSOCIATES, P.C.			
Street Address 330 COMMERCE SQUARE		City MICHIGAN CITY	State IN
Accountant Signature <i>John R. Hutter CPA</i>		ZIP 46360	Date 7/13/04

CHIKAMING TOWNSHIP
BERRIEN COUNTY, MICHIGAN

March 31, 2004

TOWNSHIP BOARD

Carl Anderson	Supervisor
Jeanne Dudeck	Clerk
Dorothy Simmons	Treasurer
Jack Gibson	Trustee
William Marske	Trustee

TABLE OF CONTENTS

	<u>Pages</u>
TOWNSHIP BOARD	1
INDEPENDENT AUDITORS' REPORT	2
GENERAL PURPOSE FINANCIAL STATEMENTS:	
Combined Balance Sheet - All Fund Types and Account Group	3-4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types	5
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types	6
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - Proprietary Fund Type - Enterprise Funds	7-8
Combined Statement of Cash Flows - Proprietary Fund Type - Enterprise Funds	9
Notes to General Purpose Financial Statements	10-25
SUPPLEMENTARY INFORMATION:	
Schedule of Revenues and Expenditures - Budget and Actual - General Fund	26-30
Combining Balance Sheet - Proprietary Fund Type	31
Combining Statement of Revenues, Expenses and Changes in Retained Earnings - Budget and Actual - Proprietary Fund Type	32-33
Combining Statement of Cash Flows - Proprietary Fund Type	34
Schedule of Receipts and Disbursements - Current Tax Collection Fund	35-36
Schedules of Bond and Interest Requirements	37-38

HUTTER & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Honorable Members of the
Township Board
Chikaming Township
Berrien County, Michigan

We have audited the accompanying general purpose financial statements of Chikaming Township as of March 31, 2004, and for the year then ended as listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Chikaming Township as of March 31, 2004, and the results of its operations and the cash flows of its proprietary and similar trust fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial statements listed as supplementary information in the foregoing table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Chikaming Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

May 20, 2004

Hutter & Associates, P.C.

CHIKAMING TOWNSHIP

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP

as of March 31, 2004
with comparative combined figures as of March 31, 2003

ASSETS	Governmental Fund Types	
	General	Special Revenue (Building Inspection)
Current assets:		
Cash and cash equivalents	\$ 727,307	\$62,535
Investments	-	-
Inventory, at cost	-	-
Accounts receivable	61,429	-
Due from other funds	15,088	-
Assessments receivable, current portion	-	-
Prepaid insurance	8,661	-
Interest receivable	-	-
Due from GRSD Sewer Authority, current portion	-	-
Due from Lake Township	-	-
Prepaid rent	-	-
Total current assets	<u>812,485</u>	<u>62,535</u>
Restricted assets for Bond and Interest Redemption Account:		
Cash and cash equivalents	240,455	-
Investments	-	-
	<u>240,455</u>	<u>-</u>
Fixed assets:		
Land	-	-
Buildings	-	-
Office equipment	-	-
Other equipment	-	-
Utility plant	-	-
	<u>-</u>	<u>-</u>
Less, accumulated depreciation	<u>-</u>	<u>-</u>
Net fixed assets	<u>-</u>	<u>-</u>
Other assets:		
Assessments receivable, net of current portion	-	-
Due from GRSD Sewer Authority, net of current portion	-	-
Investment in Joint Venture	-	-
Total other assets	<u>-</u>	<u>-</u>
Total assets	<u>\$1,052,940</u>	<u>\$62,535</u>

The accompanying notes are a part of the general purpose financial statements.

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Group</u>	<u>Totals (Memorandum Only)</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>March 31, 2004</u>	<u>March 31, 2003</u>
\$ 2,361,632	\$16,719	\$ -	\$ 3,168,193	\$ 2,803,218
300,000	-	-	300,000	1,720,824
25,564	-	-	25,564	35,977
7,356	-	-	68,785	70,920
-	-	-	15,088	5
62,500	-	-	62,500	61,171
-	-	-	8,661	6,987
503	-	-	503	1,293
40,800	-	-	40,800	-
19,740	-	-	19,740	-
375	-	-	375	375
<u>2,818,470</u>	<u>16,719</u>	<u>-</u>	<u>3,710,209</u>	<u>4,700,770</u>
713,732	-	-	954,187	549,648
100,000	-	-	100,000	550,874
<u>813,732</u>	<u>-</u>	<u>-</u>	<u>1,054,187</u>	<u>1,100,522</u>
11,000	-	1,885,867	1,896,867	1,883,813
-	-	1,180,834	1,180,834	705,897
-	-	196,269	196,269	179,998
242,582	-	596,596	839,178	778,858
<u>8,966,200</u>	<u>-</u>	<u>-</u>	<u>8,966,200</u>	<u>8,417,674</u>
9,219,782	-	3,859,566	13,079,348	11,966,240
<u>3,923,573</u>	<u>-</u>	<u>-</u>	<u>3,923,573</u>	<u>3,662,542</u>
<u>5,296,209</u>	<u>-</u>	<u>3,859,566</u>	<u>9,155,775</u>	<u>8,303,698</u>
47,141	-	-	47,141	105,986
91,800	-	-	91,800	-
<u>1,744,978</u>	<u>-</u>	<u>-</u>	<u>1,744,978</u>	<u>1,793,239</u>
<u>1,883,919</u>	<u>-</u>	<u>-</u>	<u>1,883,919</u>	<u>1,899,225</u>
<u>\$10,812,330</u>	<u>\$16,719</u>	<u>\$3,859,566</u>	<u>\$15,804,090</u>	<u>\$16,004,215</u>

CHIKAMING TOWNSHIP

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP, CONCLUDED

as of March 31, 2004
with comparative combined figures as of March 31, 2003

LIABILITIES	Governmental Fund Types	
	General	Special Revenue (Building Inspection)
Current liabilities:		
Payable from current assets:		
Due to other funds	\$ -	\$ -
Accounts payable	47,799	5,639
Escrow deposits	-	-
Payable from restricted assets:		
Meter deposits due customers	-	-
Bonds payable, current portion	-	-
Deferred revenues, current portion	-	-
Total current liabilities	<u>47,799</u>	<u>5,639</u>
Non-current liabilities:		
Payable from restricted assets:		
Bonds payable, net of current portion	-	-
Deferred amount on refunding	-	-
Total non-current liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>47,799</u>	<u>5,639</u>
FUND EQUITY		
Investment in general fixed assets	-	-
Retained earnings:		
Reserved for Bond and Interest Redemption Account	-	-
Unreserved	-	-
Fund balances:		
Restricted	240,455	-
Unrestricted	<u>764,686</u>	<u>56,896</u>
Total fund equity	<u>1,005,141</u>	<u>56,896</u>
Total liabilities and fund equity	<u>\$1,052,940</u>	<u>\$62,535</u>

The accompanying notes are a part of the general purpose financial statements.

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Group</u>	<u>Totals (Memorandum Only)</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>March 31, 2004</u>	<u>March 31, 2003</u>
\$ -	\$15,088	\$ -	\$ 15,088	\$ 5
61,174	1,631	-	116,243	97,447
18,000	-	-	18,000	16,000
127,748	-	-	127,748	123,023
115,000	-	-	115,000	382,860
-	-	-	-	39,457
<u>321,922</u>	<u>16,719</u>	<u>-</u>	<u>392,079</u>	<u>658,792</u>
1,455,000	-	-	1,455,000	2,148,586
<u>(73,077)</u>	<u>-</u>	<u>-</u>	<u>(73,077)</u>	<u>(80,385)</u>
<u>1,381,923</u>	<u>-</u>	<u>-</u>	<u>1,381,923</u>	<u>2,068,201</u>
<u>1,703,845</u>	<u>16,719</u>	<u>-</u>	<u>1,774,002</u>	<u>2,726,993</u>
-	-	3,859,566	3,859,566	3,307,969
813,732	-	-	813,732	857,051
8,294,753	-	-	8,294,753	7,817,064
-	-	-	240,455	243,471
-	-	-	821,582	1,051,667
<u>9,108,485</u>	<u>-</u>	<u>3,859,566</u>	<u>14,030,088</u>	<u>13,277,222</u>
<u>\$10,812,330</u>	<u>\$16,719</u>	<u>\$3,859,566</u>	<u>\$15,804,090</u>	<u>\$16,004,215</u>

CHIKAMING TOWNSHIP

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

for the year ended March 31, 2004
with comparative combined figures for the year ended March 31, 2003

	General	Special Revenue (Building Inspection)	Capital Projects
Revenues:			
Property taxes	\$ 595,897	\$ -	\$ -
Administrative fees	94,240	-	-
State-shared revenues	255,478	-	-
Licenses and permits	25,420	143,085	-
Charge for services	20,322	-	-
State grant	-	-	-
Interest	15,650	-	-
Rentals	6,750	-	-
Public donations	50,200	-	-
Property sales	88,165	-	-
Other	57,580	-	-
Total revenues	<u>1,209,702</u>	<u>143,085</u>	<u>-</u>
Expenditures:			
Legislative	6,918	-	-
General government	743,160	-	-
Public safety	613,952	112,544	-
Public works	64,452	-	-
Park commission	44,862	-	-
Capital outlay	-	-	-
Interest on debt	-	-	-
Total expenditures	<u>1,473,344</u>	<u>112,544</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(263,642)	30,541	-
Other financing sources (uses):			
Fund transfers	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(263,642)	30,541	-
Fund balances, beginning of year	<u>1,268,783</u>	<u>26,355</u>	<u>-</u>
Fund balances, end of year	<u>\$1,005,141</u>	<u>\$ 56,896</u>	<u>\$ -</u>

The accompanying notes are a part of the general purpose financial statements.

Totals

(Memorandum Only)

March 31, 2004	March 31, 2003
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\$ 595,897	\$ 585,074
94,240	95,704
255,478	273,040
168,505	117,874
20,322	23,760
-	1,499,788
15,650	27,539
6,750	4,050
50,200	50,825
88,165	-
<u>57,580</u>	<u>41,952</u>
<u>1,352,787</u>	<u>2,719,606</u>

6,918	6,996
743,160	230,689
726,496	666,415
64,452	108,199
44,862	73,915
-	1,670,787
<u>-</u>	<u>18,206</u>
<u>1,585,888</u>	<u>2,775,207</u>

(233,101)	(55,601)
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<u>-</u>	<u>-</u>
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(233,101)	(55,601)
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<u>1,295,138</u>	<u>1,350,739</u>
<u>\$1,062,037</u>	<u>\$1,295,138</u>

CHIKAMING TOWNSHIP

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
ALL GOVERNMENTAL FUND TYPES

for the year ended March 31, 2004
with comparative combined figures for the year ended March 31, 2003

	General Fund			
	Budget	Actual	Over (Under) Budget	Actual 2003 (Memorandum Only)
Revenues:				
Property taxes	\$ 585,800	\$ 595,897	\$ 10,097	\$ 585,074
Administrative fees	100,000	94,240	(5,760)	95,704
State-shared revenues	253,000	255,478	2,478	273,040
Licenses and permits	12,610	25,420	12,810	22,599
Charge for services	18,000	20,322	2,322	23,760
State grant	-	-	-	-
Interest	22,000	15,650	(6,350)	27,539
Rentals	6,600	6,750	150	4,050
Public donations	-	50,200	50,200	50,825
Property sales	-	88,165	88,165	-
Other	38,000	57,580	19,580	41,952
Total revenues	<u>1,036,010</u>	<u>1,209,702</u>	<u>173,692</u>	<u>1,124,543</u>
Expenditures:				
Legislative	6,922	6,918	(4)	6,996
General government	727,943	743,160	15,217	230,689
Public safety	661,020	613,952	(47,068)	580,294
Public works	67,700	64,452	(3,248)	108,199
Park commission	46,425	44,862	(1,563)	73,915
Capital outlay	-	-	-	-
Interest on debt	-	-	-	-
Total expenditures	<u>1,510,010</u>	<u>1,473,344</u>	<u>(36,666)</u>	<u>1,000,093</u>
Excess (deficiency) of revenues over expenditures	(474,000)	(263,642)	210,358	124,450
Other financing sources (uses):				
Fund transfers	-	-	-	(76,939)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(474,000)	(263,642)	210,358	47,511
Fund balances, beginning of year	<u>1,268,783</u>	<u>1,268,783</u>	-	<u>1,221,272</u>
Fund balances, end of year	<u>\$ 794,783</u>	<u>\$1,005,141</u>	<u>\$210,358</u>	<u>\$1,268,783</u>

The accompanying notes are a part of the general purpose financial statements.

Special Revenue Fund (Building Inspection)				Capital Projects Fund			
Budget	Actual	Over (Under) Budget	Actual 2003 (Memorandum Only)	Budget	Actual	Over (Under) Budget	Actual 2003 (Memorandum Only)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
89,200	143,085	53,885	95,275	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,499,788
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>89,200</u>	<u>143,085</u>	<u>53,885</u>	<u>95,275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,499,788</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
96,050	112,544	16,494	86,121	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,670,787
-	-	-	-	-	-	-	18,206
<u>96,050</u>	<u>112,544</u>	<u>16,494</u>	<u>86,121</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,688,993</u>
-	-	-	-	-	-	-	-
(6,850)	30,541	37,391	9,154	-	-	-	(189,205)
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,939</u>
-	-	-	-	-	-	-	-
(6,850)	30,541	37,391	9,154	-	-	-	(112,266)
<u>26,355</u>	<u>26,355</u>	<u>-</u>	<u>17,201</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,266</u>
<u>\$19,505</u>	<u>\$ 56,896</u>	<u>\$37,391</u>	<u>\$26,355</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CHIKAMING TOWNSHIP

COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS - PROPRIETARY FUND TYPE -
ENTERPRISE FUNDS

for the year ended March 31, 2004

Operating revenues:

Water revenues	\$ 887,504
Sewer services	611,234
Hydrant rentals	17,138
Service installation	118,850
Miscellaneous	<u>7,103</u>

Total operating revenues

1,641,829

Operating expenses:

Purchase of water	231,729
Purchase of sewer treatment	218,921
Materials and supplies	46,784
Salaries and wages	168,133
Payroll taxes	12,862
Insurance and employee benefits	65,847
Office supplies and expense	2,063
Repairs and maintenance	2,446
Computer expense	1,500
Mileage and travel	5,670
Professional services	12,719
Booster station expense	22,510
Pumphouse operations	83,569
Rent	4,500
Utilities	3,252
Postage	4,212
Miss Dig	1,887
Engineering fees	16,083
Subcontractors	43,258
Bond paying agent charges	5,116
Depreciation	261,032
Miscellaneous	<u>7,890</u>

Total operating expenses

1,221,983

Net operating income

419,846

The accompanying notes are a part of the general purpose financial statements.

CHIKAMING TOWNSHIP
COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS - PROPRIETARY FUND TYPE -
ENTERPRISE FUNDS, CONCLUDED

for the year ended March 31, 2004

Non-operating revenues (expenses):	
Interest and dividends from investments	\$ 42,204
Interest income from special assessments	8,727
Interest expense	(122,268)
Net gain (loss) from Joint Venture	(48,261)
Special assessments	<u>133,637</u>
Total non-operating revenues (expenses)	<u>14,039</u>
Net income	433,885
Retained earnings, beginning of year	<u>8,674,600</u>
Retained earnings, end of year	<u>\$9,108,485</u>

The accompanying notes are a part of the general purpose financial statements.

CHIKAMING TOWNSHIP
 COMBINED STATEMENT OF CASH FLOWS -
 PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
 for the year ended March 31, 2004

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash flows from operating activities:	
Net income	\$ 433,885
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	261,032
Changes in assets and liabilities:	
Decrease (increase) in:	
Inventory, at cost	10,413
Accounts receivable	(2,176)
Assessments receivable	57,516
Interest receivable	790
Due from GRSD Sewer Authority	(132,600)
Due from Lake Township	(19,740)
Investment in Joint Venture	48,261
Increase (decrease) in:	
Accounts payable	(17,899)
Escrow deposits	2,000
Meter deposits due customers	4,725
Deferred revenues	(39,457)
Net cash provided by operating activities	<u>606,750</u>
Cash flows from investing activities:	
Purchase of system improvements	(561,511)
Decrease in investments	<u>1,660,874</u>
Net cash provided by investing activities	<u>1,099,363</u>
Cash flows from financing activities:	
Payments on long-term debt	(961,446)
Deferred amount on refunding, net	<u>7,308</u>
Net cash used in financing activities	<u>(954,138)</u>
Net increase in cash and cash equivalents	751,975
Cash and cash equivalents, beginning of year	<u>2,323,389</u>
Cash and cash equivalents, end of year	<u><u>\$3,075,364</u></u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	<u><u>\$ 122,268</u></u>

The accompanying notes are a part of the general purpose financial statements.

CHIKAMING TOWNSHIP
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended March 31, 2004

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

REPORTING ENTITY:

Chikaming Township was established by the Board of Supervisors on March 4, 1856. The Township operates under an elected five member Board consisting of a supervisor, clerk, treasurer and two trustees and provides the following services: public safety (police and fire), ambulance, water, sewer, recreation, planning and zoning, and general administrative services.

DESCRIPTION OF FUNDS:

The accompanying general purpose financial statements include the funds administered by the Township Board of Chikaming Township.

The accounts of the Township are organized on the basis of funds or groups of accounts; each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise each fund's assets, liabilities, fund balances, revenues and expenditures. The following is a description of the funds and account group included in the accompanying general purpose financial statements:

Governmental Fund Types

General Fund - The General Fund accounts for all revenues and expenditures of the Township which are not accounted for in the other funds. Revenues are primarily derived from general property taxes, other local taxes, licenses and permits, and fees and revenues from the State of Michigan.

Special Revenue Fund - The Special Revenue Fund accounts for the revenues and expenditures related to particular functions or activities of the Township as required by statute or local ordinance and the revenues and expenditures related to state and federal grants.

Capital Projects Fund - The Capital Projects Fund accounts for the development of capital facilities other than those financed by the operations of the Enterprise Funds.

CHIKAMING TOWNSHIP

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED

for the year ended March 31, 2004

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

Proprietary Fund Type

Enterprise Funds - The Enterprise Funds account for the operations and financing of those activities of the Township that are self-supporting on the basis of user charges to the general public. The Board applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Fiduciary Fund Type

Agency Funds - The Agency Funds account for assets held by the Township as trustee for other government entities and certain Township funds.

Account Group

General Fixed Assets Group of Accounts - The General Fixed Assets Group of Accounts includes Township fixed assets which are not accounted for in the Enterprise Funds.

BASIS OF ACCOUNTING:

The modified accrual basis of accounting is followed for the General, Special Revenue and Capital Projects Funds. Under this method of accounting, revenues are recognized as collected, except for taxes which are recognized at the time of levy. Expenditures, other than prepaid expenses and interest on long-term debt, are recorded when paid.

The accrual basis of accounting is followed for the Enterprise Funds. Under this method of accounting, revenues are recognized when earned, and expenses are recorded as liabilities when incurred.

CHIKAMING TOWNSHIP

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED

for the year ended March 31, 2004

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

FIXED ASSETS AND DEPRECIATION:

General Fixed Assets - General fixed assets purchased are recorded as expenditures in the applicable funds at the time of purchase. Such assets are capitalized at cost in the General Fixed Assets Group of Accounts.

No depreciation on the general fixed assets has been provided.

ENTERPRISE FUNDS:

Fixed assets reflected in the Enterprise Funds are depreciated by the straight-line method based on the estimated useful lives of the applicable assets as follows:

Utility plant	33-40 years
Equipment	7-10 years

BUDGETS AND BUDGETARY ACCOUNTING:

The Township performs the following procedures in establishing the budgetary data reflected in the general purpose financial statements:

1. The Township Board prepares a proposed operating budget for the fiscal year commencing April 1. The operating budget for the Enterprise Funds is also prepared by the Township Board. These operating budgets include proposed expenditures and the means of financing them.
2. A public hearing is conducted at the Township Hall to obtain taxpayer comments.
3. The budget is formally adopted at a duly posted special meeting following the public budget hearing.
4. Transfers or amendments to the budget may only be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Budgets for all the funds are adopted on a basis consistent with generally accepted accounting principles.

CHIKAMING TOWNSHIP

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED

for the year ended March 31, 2004

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

TOTAL COLUMNS IN GENERAL PURPOSE FINANCIAL STATEMENTS:

The total columns in the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ASSETS, LIABILITIES AND FUND EQUITY:

Cash and Cash Equivalents - The Township considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments - The Township's investments are insured certificates of deposit and U.S. Treasury securities that have a maturity of more than three months.

Fixed Assets and Long-Term Liabilities - The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All Governmental Funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets (expendable financial resources) and current liabilities (those expected to be liquidated with expendable financial resources) are generally included on their balance sheets. Their reported fund balances are considered a measure of "available spendable resources". Governmental Fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

CHIKAMING TOWNSHIP

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED

for the year ended March 31, 2004

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

ASSETS, LIABILITIES AND FUND EQUITY, CONTINUED:

Fixed assets used in Governmental Fund Type operations (general fixed assets) are accounted for in the General Fixed Assets Group of Accounts, rather than in Governmental Funds. Public domain general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized along with other general fixed assets.

The General Fixed Assets Group of Accounts are recorded as follows:

- a. Land is presented at a nominal value at July 1, 1992. Any additions since that date are recorded at cost.
- b. Buildings are presented at insurance values at July 1, 1992. Any additions since that date are recorded at cost.
- c. Furniture and equipment are presented at insurance values at July 1, 1992. Any additions since that date are recorded at cost.
- d. Donated fixed assets are valued at their fair market value on the date donated.

Because of their spending measurement focus, expenditure recognition for Governmental Fund Types is limited to exclude amounts represented by non-current liabilities. Long-term liabilities expected to be financed from Governmental Funds are accounted for in the General Long-Term Debt Account Group, not in the Governmental Funds.

The account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

CHIKAMING TOWNSHIP

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED

for the year ended March 31, 2004

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

ASSETS, LIABILITIES AND FUND EQUITY, CONCLUDED:

All Proprietary Funds are accounted for on a cost of service or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity is segregated into contributed capital and retained earnings fund balance components. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The fixed assets of the Proprietary Funds are recorded at insurance values at July 1, 1992. Any additions since that date are recorded at cost.

Depreciation of all exhaustible fixed assets used by Proprietary Funds is charged as an expense against their operations. Accumulated depreciation is reported on Proprietary Fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Water lines	25-40 years
Sewage system	25 years
Equipment	5-12 years

REVENUES, EXPENDITURES AND EXPENSES:

Property Taxes - Property taxes are levied on December 31 and payable in two installments on February 14 and September 14. The Township bills and collects its own property taxes and also the taxes for the County, State of Michigan and two school districts. Collections of the taxes and remittance of them are accounted for in the Current Tax Collection Fund. Property tax revenues are recognized when levied to the extent that they result in current receivables.

CHIKAMING TOWNSHIP

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED

for the year ended March 31, 2004

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED.

REVENUES, EXPENDITURES AND EXPENSES, CONCLUDED:

Berrien County Road Commission - The Berrien County Road Commission does substantially all road improvements for Chikaming Township. The funding of such projects is provided for by Township and County revenues. All disbursements to the Road Commission by the Township are included in the general purpose financial statements as an expenditure at the time of disbursement. Accordingly, a portion of the disbursement may represent an advance of road improvement funds before such project is begun or completed by the County Road Commission.

Liability for Compensated Absences - The Township does not record a liability for compensated absences. The amount that may be accrued is undeterminable at the date of the balance sheet. It is estimated the amount would be immaterial to the presentation of the general purpose financial statements as a whole.

COMPARATIVE DATA:

Comparative total data for the prior year has been presented in the accompanying general purpose financial statements in order to provide an understanding of changes in the Township's financial position and operations; however, comparative data (presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

Note 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS.

P.A. 621 of 1978, Section 18(1) as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the general purpose financial statements, the Township's actual expenditures and budgeting expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the functional level.

During the year ended March 31, 2004, the Township did not incur expenditures in budgetary funds that were in excess of the amounts appropriated.

CHIKAMING TOWNSHIP

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED

for the year ended March 31, 2004

Note 3. CASH AND INVESTMENTS.

Deposits are carried at cost. Deposits of the Township are at various banks located in Michigan in the name of the Township Treasurer. Public Act 196 of 1997 authorizes the Township to deposit and invest in the accounts of the federally insured banks, insured credit unions, and savings and loan associations; bankers acceptance of United States banks; commercial paper rated within the three highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase, and which involves no more than 50% of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bonds or other forms for the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township's deposits are in accordance with statutory authority.

Balance sheet cash and investments are comprised of the following at March 31, 2004:

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance</u>
<u>Governmental Fund Types</u>			
Checking account:			
Alliance Banking Company	Demand	.95%	\$ 657,739
Money market account:			
Fifth Third Bank	Demand	.80%	<u>374,189</u>
Total - Governmental Fund Types			<u><u>\$1,031,928</u></u>

Summary for balance sheet:

	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Cash and cash equivalents	<u>\$240,455</u>	<u>\$791,473</u>	<u>\$1,031,928</u>

CHIKAMING TOWNSHIP

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED

for the year ended March 31, 2004

Note 3. CASH AND INVESTMENTS, CONTINUED.

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance</u>
<u>Proprietary Fund Type - Water Fund</u>			
Checking accounts:			
Fifth Third Bank	Demand	-	\$ 500
Fifth Third Bank	Demand	-	17,748
Money market and savings accounts:			
Chemical Bank Shoreline	Demand	.30%	314,555
Fifth Third Bank	Demand	.79681%	519,565
Fifth Third Bank	Demand	.79681%	158,121 (1)
Fifth Third Bank	Demand	.79681%	102,466 (1)
New Buffalo Savings Bank	Demand	1.26%	110,000
New Buffalo Savings Bank	Demand	1.27%	151,175 (1)
Certificate of deposit:			
LaSalle Federal Savings Bank	5/28/04	.95%	100,000 (1)
U.S. Treasury funds			<u>301,971 (1)</u>
Total - Water Fund			<u>\$1,776,101</u>

Summary for balance sheet:

	(1) <u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Cash and cash equivalents	\$411,762	\$962,368	\$1,374,130
Investments	<u>401,971</u>	<u>-</u>	<u>401,971</u>
	<u>\$813,733</u>	<u>\$962,368</u>	<u>\$1,776,101</u>

CHIKAMING TOWNSHIP

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED

for the year ended March 31, 2004

Note 3. CASH AND INVESTMENTS, CONTINUED.

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance</u>
<u>Proprietary Fund Type - Sewer Fund</u>			
Checking account:			
Fifth Third Bank	Demand	-	\$ 1,000
Money market and savings accounts:			
Alliance Banking Company	Demand	1.0%	380,388
Fifth Third Bank	Demand	.79681%	415,526
New Buffalo Savings Bank	Demand	1.27%	302,350
New Buffalo Savings Bank	Demand	1.27%	300,000
Certificates of deposit:			
Alliance Banking Company	4/25/04	1.11%	100,000
Alliance Banking Company	9/15/04	1.19%	100,000
Berrien Teachers Credit Union	10/15/04	2.0%	<u>100,000</u>
Total - Sewer Fund			<u>\$1,699,264</u>

Summary for balance sheet:

	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Cash and cash equivalents	\$ -	\$1,399,264	\$1,399,264
Investments	<u>-</u>	<u>300,000</u>	<u>300,000</u>
	<u>\$ -</u>	<u>\$1,699,264</u>	<u>\$1,699,264</u>

CHIKAMING TOWNSHIP

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED

for the year ended March 31, 2004

Note 3. CASH AND INVESTMENTS, CONCLUDED.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's cash deposits is as follows:

	<u>Insured</u>	<u>Uninsured</u>	<u>Total</u>
Alliance Banking Company	\$ 300,000	\$ 938,127	\$1,238,127
Berrien Teachers Credit Union	100,000	-	100,000
Chemical Bank Shoreline	100,000	214,555	314,555
Fifth Third Bank	300,000	1,289,116	1,589,116
LaSalle Federal Savings Bank	100,000	-	100,000
New Buffalo Savings Bank	200,000	663,524	863,524
	<u>\$1,100,000</u>	<u>\$3,105,322</u>	<u>\$4,205,322</u>

Note 4. CONCENTRATIONS OF CREDIT RISK.

Financial instruments that potentially subject Chikaming Township to concentrations of credit risk consist principally of temporary cash investments that exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC).

Chikaming Township maintains its cash balances and interest-bearing deposits in several financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 in the aggregate for all time and savings deposits; and up to \$100,000 in the aggregate for all demand deposits. Each subdivision of the Township (such as the Water and Sewer Funds) has separate insurance amounts (see Note 3).

The accounts receivable in the General Fund consists of taxes receivable from the County Revolving Fund for delinquent taxes. The accounts receivable in the Water and Sewer Funds represent amounts due from customers.

CHIKAMING TOWNSHIP
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED
for the year ended March 31, 2004

Note 5. GENERAL FUND RESTRICTED ASSETS.

The restricted assets of the General Fund represent cash and certificates of deposit to be used for the purchase of capital improvements as follows:

Ambulance Department	\$ 75,451
Fire Department	94,000
Park Board	58,504
Police Department	<u>12,500</u>
	<u>\$240,455</u>

Note 6. ENTERPRISE FUNDS RESTRICTED ASSETS.

The restricted assets of the Enterprise Funds (Proprietary Funds) represent cash and certificates of deposit to be used for the payment of bond interest and principal retirements.

Note 7. INTERFUND RECEIVABLES AND PAYABLES.

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Fund</u>	<u>Interfund Payables</u>
General	<u>\$15,088</u>	Trust and Agency	<u>\$15,088</u>

CHIKAMING TOWNSHIP

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED

for the year ended March 31, 2004

Note 8. JOINT VENTURE - PROPRIETARY FUND.

Chikaming Township participates in a Joint Venture with New Buffalo Township, Lake Charter Township and the City of New Buffalo. The purpose of the Venture called GRSD Sewer Authority (formerly the Galien River Sanitary District) is to provide sanitary sewage treatment and collection facilities for the residents of those communities. On dissolution of the Authority, net assets will be shared on a pro rata basis as follows:

Chikaming Township	43.1%
New Buffalo Township	16.9%
Lake Charter Township	12.5%
City of New Buffalo	27.5%

The Venture is accounted for in the Sewer Fund using the equity method.

The GRSD Sewer Authority is governed by a joint Board of five members consisting of one member from each of the contracting parties appointed by their respective governing bodies, and a sixth-at-large member appointed by the other five members. The contracting parties provide annual funding to meet debt service requirements on bonds issued to pay for plant construction.

The following is audited financial information from the GRSD Sewer Authority for the year ended December 31, 2003. This is a separate financial statement which can be reviewed at the GRSD Sewer Authority for more detail.

Total assets	\$15,033,312
Total liabilities	<u>71,043</u>
Equity	<u>\$14,962,269</u>
Restricted equity	\$10,941,824
Unrestricted equity	<u>4,020,445</u>
	<u>\$14,962,269</u>
Revenues	\$ 1,103,529
Expenditures	<u>1,222,068</u>
Net loss and decrease in equity	<u>\$ (118,539)</u>

CHIKAMING TOWNSHIP
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED
for the year ended March 31, 2004

Note 8. JOINT VENTURE - PROPRIETARY FUND, CONCLUDED.

The Township's net investment and its share of the operating results of the Authority are reported in the Township's Sewer Fund. The Township's equity interest was \$1,744,978 as of December 31, 2003.

Note 9. CHANGES IN GENERAL FIXED ASSETS.

A summary of changes in general fixed assets is as follows:

	Balance March 31, 2003	Additions	Deletions	Balance March 31, 2004
Land	\$1,872,813	\$ 13,054	\$ -	\$1,885,867
Buildings	705,897	474,937	-	1,180,834
Office equipment	179,998	16,271	-	196,269
Other equipment	258,533	47,335	-	305,868
Fire vehicles	290,728	-	-	290,728
	<u>\$3,307,969</u>	<u>\$551,597</u>	<u>\$ -</u>	<u>\$3,859,566</u>

CHIKAMING TOWNSHIP

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED

for the year ended March 31, 2004

Note 10. LONG-TERM DEBT.

Long-term debt at March 31, 2004 consisted of the following:

GENERAL OBLIGATION BONDS:

<u>Fiscal Year Ending March 31,</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
2005	\$ 115,000	\$ -	\$ 115,000
2006	120,000	-	120,000
2007	130,000	-	130,000
2008	135,000	-	135,000
2009	145,000	-	145,000
Later years	<u>925,000</u>	<u>-</u>	<u>925,000</u>
	<u>\$1,570,000</u>	<u>\$ -</u>	<u>\$1,570,000</u>

Note 11. WATER SUPPLY SYSTEM REVENUE REFUNDING BONDS.

On October 1, 2001, the Chikaming Township Water Department issued \$1,485,000 Water Supply System Revenue Refunding Bonds, Series 2001. The purpose of the bonds is to finance an advance refunding of a portion of the outstanding Water Supply System Revenue and Revenue Refunding Bonds, Series 1994, and to pay the cost of issuing the bonds.

Interest is payable semi-annually on May 1 and November 1 of each year commencing May 1, 2002. Interest rates range from 4.35% to 5.50%. The bonds are fully matured in 2014.

A deferred loss of \$95,000 was recognized as a result of this refunding, amortized over the 13 year life of the new debt. Annual amortization of \$7,308 is recorded as an addition to interest expense.

CHIKAMING TOWNSHIP

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, CONCLUDED

for the year ended March 31, 2004

Note 12. RETIREMENT PLAN.

In 1971, the Township established the Chikaming Township Pension Plan, a defined contribution money purchase pension plan under Section 457 of the Internal Revenue Code. The following is information of the Plan:

- . Eligibility requirements: All full time employees and elected officials age 18 with zero years of service
- . Normal retirement age: Age 65
- . Early retirement age: Age 55
- . Vesting: 100% at time of contributions
- . Contribution limits: Employer - 9% of compensation with \$225 minimum
Employee - 1% of compensation with \$75 minimum
- . Benefit determination: Accumulated amount in Plan at termination date
- . Latest revision date: April 1, 1997

All funds are invested in Manulife guaranteed accounts. Current year contributions are \$37,824 and \$8,415 for the employer and employee, respectively.

SUPPLEMENTARY INFORMATION

CHIKAMING TOWNSHIP

SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND

for the year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	\$ 585,800	\$ 595,897	\$ 10,097
Administrative fees	100,000	94,240	(5,760)
State-shared revenues	253,000	255,478	2,478
Licenses and permits	12,610	25,420	12,810
Charge for services	18,000	20,322	2,322
Interest	22,000	15,650	(6,350)
Rentals	6,600	6,750	150
Public donations	-	50,200	50,200
Property sales	-	88,165	88,165
Other	<u>38,000</u>	<u>57,580</u>	<u>19,580</u>
Total revenues	<u>1,036,010</u>	<u>1,209,702</u>	<u>173,692</u>
Expenditures:			
Legislative:			
Salaries and wages	<u>6,922</u>	<u>6,918</u>	<u>(4)</u>
General Government:			
Supervisor:			
Salary	17,829	17,819	(10)
Assessor	30,416	30,416	-
Clerical wages	1,000	1,076	76
Mileage	1,000	473	(527)
Employee benefits	1,800	1,629	(171)
Payroll taxes	1,800	1,369	(431)
Miscellaneous	<u>5,150</u>	<u>3,854</u>	<u>(1,296)</u>
	<u>58,995</u>	<u>56,636</u>	<u>(2,359)</u>
Election:			
Office expense	1,400	-	(1,400)
Miscellaneous	<u>500</u>	<u>138</u>	<u>(362)</u>
	<u>1,900</u>	<u>138</u>	<u>(1,762)</u>

CHIKAMING TOWNSHIP

SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND, CONTINUED

for the year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Clerk:			
Salary	\$ 24,957	\$ 24,943	\$ (14)
Clerical wages	2,500	2,125	(375)
Mileage	150	198	48
Employee benefits	14,000	14,399	399
Payroll taxes	<u>2,500</u>	<u>2,161</u>	<u>(339)</u>
	<u>44,107</u>	<u>43,826</u>	<u>(281)</u>
Treasurer:			
Salary	16,861	16,852	(9)
Clerical wages	6,000	6,705	705
Mileage	100	-	(100)
Office supplies	4,000	2,894	(1,106)
Employee benefits	1,700	1,527	(173)
Payroll taxes	1,800	1,833	33
Workers' compensation	<u>-</u>	<u>108</u>	<u>108</u>
	<u>30,461</u>	<u>29,919</u>	<u>(542)</u>
Board of Review:			
Salaries	3,500	2,046	(1,454)
Payroll taxes	200	62	(138)
Workers' compensation	<u>-</u>	<u>11</u>	<u>11</u>
	<u>3,700</u>	<u>2,119</u>	<u>(1,581)</u>
Cemetery:			
Salaries and wages	15,059	15,051	(8)
Operating expenditures	7,300	5,838	(1,462)
Employee benefits	12,000	12,689	689
Payroll taxes	3,200	1,966	(1,234)
Workers' compensation	-	179	179
Capital outlay	1,000	945	(55)
Miscellaneous	<u>500</u>	<u>1,595</u>	<u>1,095</u>
	<u>39,059</u>	<u>38,263</u>	<u>(796)</u>

CHIKAMING TOWNSHIP

SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND, CONTINUED

for the year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Other General Government:			
Office staff wages	\$ 6,000	\$ 4,524	\$ (1,476)
Office supplies	4,000	3,459	(541)
Employee benefits	3,000	4,846	1,846
Payroll taxes	1,500	952	(548)
Professional fees	6,100	18,776	12,676
Computer service fees	6,500	6,500	-
Printing and publishing	3,500	2,702	(798)
Township Hall expense	14,000	5,769	(8,231)
Utilities	-	3,911	3,911
Insurance	9,121	7,369	(1,752)
Repairs and maintenance	2,500	3,984	1,484
Dues, subscriptions and seminars	5,000	4,877	(123)
Workers' compensation	-	102	102
Capital outlay	479,000	498,417	19,417
Miscellaneous	9,500	6,071	(3,429)
	<u>549,721</u>	<u>572,259</u>	<u>22,538</u>
Total General Government	<u>727,943</u>	<u>743,160</u>	<u>15,217</u>
Public Safety:			
Police and Liquor Law Enforcement:			
Salaries and wages	188,740	188,083	(657)
Office supplies	1,400	4,766	3,366
Employee benefits	48,000	44,239	(3,761)
Payroll taxes	15,000	14,920	(80)
Professional fees	3,000	1,725	(1,275)
General operating expenditures	23,500	21,033	(2,467)
Vehicle and equipment repairs	3,000	6,891	3,891
Insurance	3,500	6,022	2,522
Uniforms	2,700	2,108	(592)
Training	1,000	2,395	1,395
Radio and communications	3,300	1,836	(1,464)
Workers' compensation	9,000	5,936	(3,064)
Capital outlay	21,500	22,273	773
	<u>323,640</u>	<u>322,227</u>	<u>(1,413)</u>

CHIKAMING TOWNSHIP

SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND, CONTINUED

for the year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
Fire Protection and Rescue:			
Salaries and wages	\$ 22,840	\$ 25,395	\$ 2,555
Operating supplies and maintenance	12,000	7,476	(4,524)
Payroll taxes	2,000	1,943	(57)
Training and seminars	6,500	165	(6,335)
Radio and communications	3,000	856	(2,144)
Hydrant rental	16,000	16,125	125
Utilities	6,500	8,664	2,164
Insurance	15,000	17,673	2,673
Equipment maintenance	8,000	9,619	1,619
Workers' compensation	1,200	919	(281)
Capital outlay	24,500	6,048	(18,452)
Miscellaneous	2,000	1,490	(510)
	<u>119,540</u>	<u>96,373</u>	<u>(23,167)</u>
Planning and Zoning:			
Salaries and wages	20,600	18,612	(1,988)
Payroll taxes	2,000	1,444	(556)
Employee benefits	2,000	2,546	546
Professional fees	2,000	2,620	620
Printing and publishing	2,000	1,692	(308)
Workers' compensation	-	153	153
Master Plan update	15,000	8,895	(6,105)
Miscellaneous	2,100	1,235	(865)
	<u>45,700</u>	<u>37,197</u>	<u>(8,503)</u>
Ambulance:			
Salaries and wages	91,740	90,723	(1,017)
Mileage	500	1,024	524
Operating supplies and maintenance	14,500	14,122	(378)
Employee benefits	10,500	18,320	7,820
Payroll taxes	7,200	7,155	(45)
Training	4,000	435	(3,565)
Radio and communications	1,000	880	(120)
Mutual aid	14,000	13,950	(50)
Utilities and rent	4,500	4,822	322
Insurance	2,300	2,490	190
Uniforms	500	45	(455)
Equipment maintenance	4,500	1,281	(3,219)
Workers' compensation	5,400	2,908	(2,492)

CHIKAMING TOWNSHIP

SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND, CONCLUDED

for the year ended March 31, 2004

	Budget	Actual	Over (Under) Budget
Ambulance, Concluded:			
Capital outlay	\$ 11,000	\$ -	\$(11,000)
Miscellaneous	500	-	(500)
	<u>172,140</u>	<u>158,155</u>	<u>(13,985)</u>
Total Public Safety	<u>661,020</u>	<u>613,952</u>	<u>(47,068)</u>
Public Works:			
Road maintenance	42,700	40,874	(1,826)
County drain-at-large	2,000	1,004	(996)
Highway lighting	<u>23,000</u>	<u>22,574</u>	<u>(426)</u>
Total Public Works	<u>67,700</u>	<u>64,452</u>	<u>(3,248)</u>
Park Commission:			
Salaries and wages	1,800	4,196	2,396
Payroll taxes	300	316	16
Contract services	6,500	6,450	(50)
General operating expenditures	22,075	20,626	(1,449)
Capital outlay	15,000	13,054	(1,946)
Miscellaneous	<u>750</u>	<u>220</u>	<u>(530)</u>
Total Park Commission	<u>46,425</u>	<u>44,862</u>	<u>(1,563)</u>
Total expenditures	<u>1,510,010</u>	<u>1,473,344</u>	<u>(36,666)</u>
Excess (deficiency) of revenues over expenditures	(474,000)	(263,642)	210,358
Other financing sources (uses):			
Fund transfers	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(474,000)	(263,642)	210,358
Fund balance, beginning of year	<u>1,268,783</u>	<u>1,268,783</u>	<u>-</u>
Fund balance, end of year	<u>\$ 794,783</u>	<u>\$1,005,141</u>	<u>\$210,358</u>

CHIKAMING TOWNSHIP

COMBINING BALANCE SHEET - PROPRIETARY FUND TYPE

as of March 31, 2004

ASSETS	Enterprise Funds		Total
	Water	Sewer	
Current assets:			
Cash and cash equivalents	\$ 962,368	\$1,399,264	\$ 2,361,632
Investments	-	300,000	300,000
Inventory, at cost	25,564	-	25,564
Accounts receivable	2,377	4,979	7,356
Assessments receivable, current portion	58,000	4,500	62,500
Interest receivable	503	-	503
Due from GRSD Sewer Authority, current portion	-	40,800	40,800
Due from Lake Township	-	19,740	19,740
Prepaid rent	250	125	375
Total current assets	<u>1,049,062</u>	<u>1,769,408</u>	<u>2,818,470</u>
Restricted assets for Bond and Interest Redemption Account:			
Cash and cash equivalents	713,732	-	713,732
Investments	100,000	-	100,000
	<u>813,732</u>	<u>-</u>	<u>813,732</u>
Fixed assets:			
Land	11,000	-	11,000
Other equipment	220,146	22,436	242,582
Utility plant	4,576,847	4,389,353	8,966,200
	<u>4,807,993</u>	<u>4,411,789</u>	<u>9,219,782</u>
Less, accumulated depreciation	<u>1,894,394</u>	<u>2,029,179</u>	<u>3,923,573</u>
Net fixed assets	<u>2,913,599</u>	<u>2,382,610</u>	<u>5,296,209</u>
Other assets:			
Assessments receivable, net of current portion	11,864	35,277	47,141
Due from GRSD Sewer Authority, net of current portion	-	91,800	91,800
Investment in Joint Venture	-	1,744,978	1,744,978
Total other assets	<u>11,864</u>	<u>1,872,055</u>	<u>1,883,919</u>
Total assets	<u>\$4,788,257</u>	<u>\$6,024,073</u>	<u>\$10,812,330</u>

LIABILITIES

	Enterprise Funds		
	Water	Sewer	Total
Current liabilities:			
Payable from current assets:			
Accounts payable	\$ 39,268	\$ 21,906	\$ 61,174
Escrow deposits	-	18,000	18,000
Payable from restricted assets:			
Meter deposits due customers	127,748	-	127,748
Bonds payable, current portion	115,000	-	115,000
Total current liabilities	282,016	39,906	321,922

Non-current liabilities:

Payable from restricted assets:			
Bonds payable, net of current portion	1,455,000	-	1,455,000
Deferred amount on refunding	(73,077)	-	(73,077)
Total non-current liabilities	1,381,923	-	1,381,923
Total liabilities	1,663,939	39,906	1,703,845

FUND EQUITY

Retained earnings:

Reserved for Bond and Interest Redemption Account	813,732	-	813,732
Unreserved	2,310,586	5,984,167	8,294,753
Total fund equity	3,124,318	5,984,167	9,108,485
Total liabilities and fund equity	\$4,788,257	\$6,024,073	\$10,812,330

CHIKAMING TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL -
PROPRIETARY FUND TYPE

for the year ended March 31, 2004

	Enterprise Fund - Water		
	Budget	Actual	Over (Under) Budget
Operating revenues:			
Water revenues	\$ 865,000	\$ 887,504	\$ 22,504
Sewer services	-	-	-
Hydrant rentals	16,700	17,138	438
Service installation	100,000	118,850	18,850
Miscellaneous	5,000	4,619	(381)
Total operating revenues	986,700	1,028,111	41,411
Operating expenses:			
Purchase of water	300,000	231,729	(68,271)
Purchase of sewer treatment	-	-	-
Materials and supplies	45,000	46,784	1,784
Salaries and wages	166,470	147,521	(18,949)
Payroll taxes	13,700	11,285	(2,415)
Insurance and employee benefits	53,000	60,811	7,811
Office supplies and expense	2,250	1,156	(1,094)
Repairs and maintenance	3,000	2,183	(817)
Computer expense	-	1,500	1,500
Mileage and travel	8,000	5,614	(2,386)
Professional services	4,800	3,800	(1,000)
Booster station expense	20,000	22,510	2,510
Pumphouse operations	77,000	83,569	6,569
Rent	3,360	2,925	(435)
Utilities	2,500	2,140	(360)
Postage	2,250	2,157	(93)
Miss Dig	2,500	1,887	(613)
Engineering fees	10,000	15,138	5,138
Subcontractors	83,000	43,258	(39,742)
Bond paying agent charges	-	1,338	1,338
Depreciation	-	103,336	103,336
Miscellaneous	4,000	4,080	80
Total operating expenses	800,830	794,721	(6,109)
Net operating income	185,870	233,390	47,520

Enterprise Fund - Sewer			Totals	
Budget	Actual	Over (Under) Budget	Budget	Actual
\$ -	\$ -	\$ -	\$ 865,000	\$ 887,504
640,000	611,234	(28,766)	640,000	611,234
-	-	-	16,700	17,138
-	-	-	100,000	118,850
600	2,484	1,884	5,600	7,103
640,600	613,718	(26,882)	1,627,300	1,641,829
-	-	-	300,000	231,729
240,000	218,921	(21,079)	240,000	218,921
-	-	-	45,000	46,784
25,630	20,612	(5,018)	192,100	168,133
2,000	1,577	(423)	15,700	12,862
4,000	5,036	1,036	57,000	65,847
1,500	907	(593)	3,750	2,063
5,000	263	(4,737)	8,000	2,446
-	-	-	-	1,500
100	56	(44)	8,100	5,670
4,800	8,919	4,119	9,600	12,719
-	-	-	20,000	22,510
-	-	-	77,000	83,569
1,440	1,575	135	4,800	4,500
1,500	1,112	(388)	4,000	3,252
3,500	2,055	(1,445)	5,750	4,212
-	-	-	2,500	1,887
5,000	945	(4,055)	15,000	16,083
-	-	-	83,000	43,258
1,300	3,778	2,478	1,300	5,116
-	157,696	157,696	-	261,032
1,500	3,810	2,310	5,500	7,890
297,270	427,262	129,992	1,098,100	1,221,983
343,330	186,456	(156,874)	529,200	419,846

CHIKAMING TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL -
PROPRIETARY FUND TYPE, CONCLUDED

for the year ended March 31, 2004

	Enterprise Fund - Water		
	Budget	Actual	Over (Under) Budget
Non-operating revenues (expenses):			
Interest and dividends from investments	\$ 17,996	\$ 13,406	\$ (4,590)
Interest income from special assessments	7,800	7,709	(91)
Interest expense	(99,000)	(99,661)	(661)
Net gain (loss) from Joint Venture	-	-	-
Special assessments	<u>54,200</u>	<u>42,057</u>	<u>(12,143)</u>
Total non-operating revenues (expenses)	<u>(19,004)</u>	<u>(36,489)</u>	<u>(17,485)</u>
Net income	166,866	196,901	30,035
Retained earnings, beginning of year	<u>2,927,417</u>	<u>2,927,417</u>	<u>-</u>
Retained earnings, end of year	<u>\$3,094,283</u>	<u>\$3,124,318</u>	<u>\$ 30,035</u>

<u>Enterprise Fund - Sewer</u>			<u>Totals</u>	
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>	<u>Budget</u>	<u>Actual</u>
\$ 48,500	\$ 28,798	\$ (19,702)	\$ 66,496	\$ 42,204
-	1,018	1,018	7,800	8,727
(8,400)	(22,607)	(14,207)	(107,400)	(122,268)
-	(48,261)	(48,261)	-	(48,261)
-	91,580	91,580	54,200	133,637
<u>40,100</u>	<u>50,528</u>	<u>10,428</u>	<u>21,096</u>	<u>14,039</u>
383,430	236,984	(146,446)	550,296	433,885
<u>5,746,698</u>	<u>5,746,698</u>	<u>-</u>	<u>8,674,115</u>	<u>8,674,115</u>
<u>\$6,130,128</u>	<u>\$5,983,682</u>	<u>\$(146,446)</u>	<u>\$9,224,411</u>	<u>\$9,108,000</u>

CHIKAMING TOWNSHIP

COMBINING STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE

for the year ended March 31, 2004

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Cash flows from operating activities:			
Net income	\$ 196,901	\$ 236,984	\$ 433,885
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	103,336	157,696	261,032
Changes in assets and liabilities:			
Decrease (increase) in:			
Inventory, at cost	10,413	-	10,413
Accounts receivable	2,803	(4,979)	(2,176)
Assessments receivable	56,666	850	57,516
Interest receivable	558	232	790
Due from GRSD Sewer Authority	-	(132,600)	(132,600)
Due from Lake Township	-	(19,740)	(19,740)
Investment in Joint Venture	-	48,261	48,261
Increase (decrease) in:			
Accounts payable	(25,476)	7,577	(17,899)
Escrow deposits	-	2,000	2,000
Meter deposits due customers	4,725	-	4,725
Deferred revenues	(39,457)	-	(39,457)
Net cash provided by operating activities	<u>310,469</u>	<u>296,281</u>	<u>606,750</u>
Cash flows from investing activities:			
Purchase of system improvements	(39,011)	(522,500)	(561,511)
Decrease in investments	<u>560,874</u>	<u>1,100,000</u>	<u>1,660,874</u>
Net cash provided by investing activities	<u>521,863</u>	<u>577,500</u>	<u>1,099,363</u>
Cash flows from financing activities:			
Payments on long-term debt	(190,000)	(771,446)	(961,446)
Deferred amount on refunding, net	<u>7,308</u>	<u>-</u>	<u>7,308</u>
Net cash used in financing activities	<u>(182,692)</u>	<u>(771,446)</u>	<u>(954,138)</u>
Net increase in cash and cash equivalents	649,640	102,335	751,975
Cash and cash equivalents, beginning of year	<u>1,026,460</u>	<u>1,296,929</u>	<u>2,323,389</u>
Cash and cash equivalents, end of year	<u>\$1,676,100</u>	<u>\$1,399,264</u>	<u>\$3,075,364</u>
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	<u>\$ 99,661</u>	<u>\$ 22,607</u>	<u>\$ 122,268</u>

CHIKAMING TOWNSHIP

SCHEDULE OF RECEIPTS AND DISBURSEMENTS -
CURRENT TAX COLLECTION FUND

for the year ended March 31, 2004

Receipts:

Tax levy from warrants:

Summer		\$4,965,606.92
Winter		<u>4,546,329.57</u>

9,511,936.49

Less, delinquent:

Summer	\$ 138,759.76	
Winter	<u>250,795.80</u>	<u>389,555.56</u>

Total collections

9,122,380.93

Other receipts:

Bank interest	5,953.91	
IFT/CFT tax collected	54,381.67	
Overpayments	629.83	
Refundable overpayment	42,005.20	
Administrative fees	90,483.62	
Dog licenses	<u>140.00</u>	<u>193,594.23</u>

Total receipts

9,315,975.16

Disbursements:

River Valley:

Tax	\$3,032,682.52	
Interest	<u>1,681.48</u>	\$3,034,364.00

New Buffalo:

Tax	726,436.22	
Interest	<u>727.75</u>	727,163.97

State of Michigan:

IFT/CFT taxes	26,989.99	
IFT/CFT SET taxes	<u>11,351.12</u>	38,341.11

County:

State education tax	1,584,788.77	
SET interest	1,927.29	
Millage	1,749,348.64	
IFT/CFT millage tax	7,766.57	
County drains	58,307.22	
Dog licenses	<u>129.00</u>	3,402,267.49

CHIKAMING TOWNSHIP
SCHEDULE OF RECEIPTS AND DISBURSEMENTS -
CURRENT TAX COLLECTION FUND, CONCLUDED

for the year ended March 31, 2004

Disbursements, Concluded:

ISD:

Taxes	\$ 761,889.07	
Interest	918.32	
IFT/CFT taxes	<u>3,289.19</u>	\$ 766,096.58

Community College:

Taxes	577,131.01	
Interest	699.07	
IFT/CFT taxes	<u>2,491.17</u>	580,321.25

Overpayment refunds

42,005.20

Township General Fund:

Taxes	131,505.47	
Collection fees	90,483.62	
Street lights	3,781.05	
Public safety	430,148.80	
IFT/CFT taxes	2,493.63	
Non-refundable overpayments	629.87	
Dog licenses	<u>11.00</u>	659,053.44

Water assessments:

Water principal	48,378.02	
Water interest	<u>7,148.07</u>	55,526.09

Sewer assessments:

Sewer principal	7,045.50	
Sewer interest	2,298.85	
Delinquent utilities	<u>1,491.72</u>	<u>10,836.07</u>

Total disbursements

9,315,975.20

\$ -

CHIKAMING TOWNSHIP
SCHEDULE OF BOND AND INTEREST REQUIREMENTS
March 31, 2004

WATER SYSTEM SUPPLY REVENUE REFUNDING BONDS, SERIES 1994
(NON-REFUNDABLE BONDS)

<u>Fiscal Year Beginning April 1</u>	<u>Interest Rate</u>	<u>Water Bonds Payable May 1</u>	<u>Interest Payable May 1</u>	<u>Interest Payable November 1</u>	<u>Total</u>
2004	5.900%	\$ 10,000.00	\$ 4,648.13	\$ 4,353.13	\$ 19,001.26
2005	6.375%	10,000.00	4,353.13	4,034.38	18,387.51
2006	6.375%	10,000.00	4,034.38	3,715.63	17,750.01
2007	6.375%	10,000.00	3,715.63	3,396.88	17,112.51
2008	6.375%	10,000.00	3,396.88	3,078.13	16,475.01
2009	6.375%	15,000.00	3,078.13	2,600.00	20,678.13
2010	6.500%	15,000.00	2,600.00	2,112.50	19,712.50
2011	6.500%	15,000.00	2,112.50	1,625.00	18,737.50
2012	6.500%	15,000.00	1,625.00	1,137.50	17,762.50
2013	6.500%	15,000.00	1,137.50	360.00	16,497.50
2014	6.500%	<u>20,000.00</u>	<u>360.00</u>	<u>-</u>	<u>20,360.00</u>
		<u>\$145,000.00</u>	<u>\$31,061.28</u>	<u>\$26,413.15</u>	<u>\$202,474.43</u>

CHIKAMING TOWNSHIP
SCHEDULE OF BOND AND INTEREST REQUIREMENTS

March 31, 2004

WATER SYSTEM SUPPLY REVENUE REFUNDING BONDS, SERIES 2001
(REFUNDS CALLABLE SERIES 1994)

Fiscal Year Beginning April 1	Interest Rate	Water Bonds	Interest Payable		Total
		Payable May 1	May 1	November 1	
2004	5.500%	\$ 105,000.00	\$ 37,105.00	\$ 34,217.50	\$ 176,322.50
2005	5.500%	110,000.00	34,217.50	31,192.50	175,410.00
2006	5.500%	120,000.00	31,192.50	27,892.50	179,085.00
2007	5.500%	125,000.00	27,892.50	24,455.00	177,347.50
2008	5.500%	135,000.00	24,455.00	20,742.50	180,197.50
2009	5.250%	135,000.00	20,742.50	17,198.75	172,941.25
2010	5.250%	145,000.00	17,198.75	13,392.50	175,591.25
2011	5.250%	150,000.00	13,392.50	9,455.00	172,847.50
2012	5.250%	160,000.00	9,455.00	5,255.00	174,710.00
2013	4.350%	170,000.00	5,255.00	1,557.50	176,812.50
2014	4.450%	70,000.00	1,557.50	-	71,557.50
		<u>\$1,425,000.00</u>	<u>\$222,463.75</u>	<u>\$185,358.75</u>	<u>\$1,832,822.50</u>

Optional Redemption:

Bonds due May 1, 2003-2011, inclusive, are non-callable. Bonds due May 1, 2012-2014, inclusive, are callable in whole or in part on any date on or after November 1, 2011, at a price of par and accrued interest. If less than all the bonds are called, they shall be redeemed in such principal amounts and from such maturities as determined by the Township and within any maturity by lot.

HUTTER & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

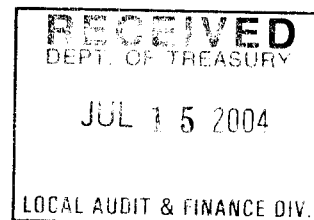
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May 20, 2004

Honorable Members of the
Township Board
Chikaming Township
Berrien County, Michigan



We have audited the general purpose financial statements of Chikaming Township as of and for the year ended March 31, 2004, and have issued our report thereon dated May 20, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Chikaming Township's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chikaming Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Chikaming Township
May 20, 2004
Page 2

This report is intended solely for the information and use of the Township Board and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Hutter & Associates, P.C.

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